

# Exhibit C

Page 1

1  
2       UNITED STATES DISTRICT COURT  
3       SOUTHERN DISTRICT OF NEW YORK  
4       -----x  
5       FEDERAL HOUSING FINANCE AGENCY, etc.,  
6    Plaintiff,  
7    - against -  
8  
9       HSBC NORTH AMERICA HOLDINGS, et al.,  
10      11 CIV. 6189 (DLC)  
11      BARCLAYS BANK PLC, et al.,  
12      11 CIV. 6190 (DLC)  
13      DEUTSCHE BANK AG, et al.,  
14      11 CIV. 6192 (DLC)  
15      FIRST HORIZON NATIONAL CORP., et al.,  
16      11 CIV. 6193 (DLC)  
17      BANK OF AMERICA CORP., et al.,  
18      11 CIV. 6195 (DLC)  
19      GOLDMAN, SACHS & CO., et al.,  
20      11 CIV. 6198 (DLC)  
21      CREDIT SUISSE HOLDINGS (USA), INC., et al.,  
22      11 CIV. 6200 (DLC)  
23      NOMURA HOLDING AMERICA, INC., et al.,  
24      11 CIV. 6201 (DLC)  
25      MERRILL LYNCH & CO., INC., et al.,  
1       11 CIV. 6202 (DLC)  
2      SG AMERICAS, INC., et al.,  
3       11 CIV. 6203 (DLC)  
4      MORGAN STANLEY, et al.,  
5       11 CIV. 6739 (DLC)  
6      ALLY FINANCIAL INC., et al.,  
7       11 CIV. 7010 (DLC)  
8    Defendants.  
9       -----x  
10     (Caption continued on following page)

11    VIDEOTAPED DEPOSITION  
12    OF  
13    JAMES LOCKHART  
14    November 20, 2013  
15    9:12 A.M.

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1           UNITED STATES DISTRICT COURT  
2           DISTRICT OF CONNECTICUT  
3           Case No. 3:11-cv-01383-AWT

5           -----x  
6           FEDERAL HOUSING FINANCE AGENCY, etc.,  
7                         Plaintiff,

8  
9           - against -

10  
11          THE ROYAL BANK OF SCOTLAND GROUP PLC,  
12          et al.,

13                         Defendants.

14           -----x  
15          SIMPSON THACHER & BARTLETT LLP  
16          425 Lexington Avenue, New York, New York

17                         November 20, 2013

18                         9:12 A.M.

19                         VIDEOTAPED DEPOSITION

20                         OF

21                         JAMES LOCKHART

22  
23          REPORTED BY:

24          JINEEN PAVESI, RMR, RPR, CRR

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1

2 November 20, 2013

3

4 Videotaped Deposition of JAMES  
5 LOCKHART, pursuant to Notice, held at the  
6 offices of Simpson Thacher & Bartlett LLP,  
7 425 Lexington Avenue, New York, New York,  
8 before Jineen Pavesi, a Registered  
9 Professional Reporter, Registered Merit  
10 Reporter, Certified Realtime Reporter and  
11 Notary Public of the State of New York.

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concern, specifically noting that the quantity of credit risk was high and rising. It notes the 2007 examination found that many of the weaknesses that had been widespread during previous years were beginning to be corrected; however, these improvements have been too slow in coming and the harm from the previous years' significant shortcomings was done. The enterprise had significantly increased exposure to subprime and other risky alternative loan products without adequate modeling or analysis tools to permit proper management of the inherent risks of such products."

17                          Does that accurately reflect  
18 the state of affairs in 2007?

19 A. Yes, the report was actually  
20 written in the spring of 2008, but --

21 Q. I understand that, that's  
22 describing the situation in 2007.

23 A. Right.

24 Q. The discussion of the credit  
25 risk and understanding the quantity of

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1                   LOCKHART

2       credit risk, would that have also included  
3       the credit risk arising from the purchase  
4       of private label securities?

5                   MR. COREY: Objection, form.

6       A.           By the time this report was  
7       written, yes, in September of '08.

8                   When in 2007 that happened, it  
9       became a bigger issue, I am not quite  
10      sure, but certainly in 2007, by the end of  
11      2007 there were significant concern about  
12      the private label securities.

13      Q.           When it says "The enterprise  
14      had significantly increased its exposure  
15      to subprime and other risky alternative  
16      loan products without adequate modeling or  
17      analysis tools to permit proper management  
18      of the inherent risk of such products,"  
19      that includes increased risk of exposure  
20      to subprime and other risky alternative  
21      products through the purchase of private  
22      label securities, right?

23                   MR. COREY: Same objection.

24      A.           I am not sure if Chris was  
25      including that or not, I just can't tell

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1                           LOCKHART  
2 from this writing whether he is including  
3 that or not.

4                           Q.         Sitting here today, you  
5 understand that Fannie Mae in 2007 was  
6 increasing its exposure to subprime and  
7 other risky products at least in part  
8 through its purchase of private label  
9 securities, right?

10                          MR. COREY: Same objection.

11                          A.         Again, I don't know what they  
12 bought in '07 versus what they had, they  
13 may have actually had some rolled off and  
14 they may not have actually been overall  
15 increasing their exposure, I just don't  
16 know.

17                          Q.         Take a look at page 12, there  
18 is a discussion of the current status of  
19 the enterprise and this would have been as  
20 of September 6, 2008, right, when it says  
21 the current status?

22                          A.         Correct.

23                          Q.         The bottom paragraph, "The  
24 decisions of the board of directors and  
25 senior management prior to 2007 to acquire

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1                   LOCKHART

2       Alt-A loans and other high risk loan  
3       products is a principal contributer to  
4       Fannie Mae's current earnings losses and  
5       deteriorated financial position. Members  
6       of the executive management team made  
7       imprudent decisions to increase market  
8       share and enter into higher risk products  
9       with outdated models and without all the  
10      necessary information or reports to  
11      evaluate the risks of its decisions."

12                   Did that accurately reflect the  
13      current state of Fannie Mae?

14                  A.       Yes.

15                  Q.       At that time.

16                   And certainly by that time the  
17      imprudent decisions that you were  
18      referring to would have included decisions  
19      to purchase private label securities?

20                  A.       Yes.

21                  Q.       Turn the page, 13, at the top,  
22      the first full sentence says, "Senior  
23      management and the board of directors made  
24      these decisions to increase market share,  
25      raise revenue and meet housing goals."

1                   LOCKHART

2                   Do you see that?

3       A.           Yes.

4       Q.           And that would have included  
5   the reasons -- that would have included  
6   PLS purchases in the '05 to '07 time  
7   period?

8                   MR. COREY: Objection, form.

9       Q.           Let me rephrase it.

10                  These would have included the  
11   reasons for Fannie Mae's purchases of  
12   private label securities during the '05 to  
13   '07 time period, namely to increase market  
14   share, raise revenue and meet housing  
15   goals?

16      A.           Yes.

17      Q.           The next paragraph begins  
18   "Until recently models used to guide  
19   credit decisions were deficient, have been  
20   developed based on the characteristics of  
21   borrowers who were much more credit-worthy  
22   and did not fully account for the Alt-A  
23   and other nontraditional loans that had  
24   new product features and layering of  
25   risk."

1                   LOCKHART

2                   Do you see that?

3         A.           Yes.

4         Q.           That was one of the problems,  
5         that Fannie Mae was relying on models that  
6         didn't have an accurate picture of the  
7         credit cycle involved in subprime and  
8         Alt-A products, right?

9                   MR. COREY: Same objection.

10        A.           That's correct.

11        Q.           And those models were used in  
12        connection with their private label  
13        securities purchases as well, right?

14        A.           I am not sure about that, they  
15        were definitely used for their flow and  
16        bulk, but I do not know which models --  
17        you have to remember that they had a  
18        credit group that looked over their flow  
19        and bulk and then it is really the  
20        investment group that was buying the  
21        mortgage-backed securities.

22                   And so I do not know if they  
23        used the same models or not.

24        Q.           Do you know whether they used  
25        any models in the investment group of

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1                   LOCKHART

2       Fannie Mae that was involved in buying  
3       PLS?

4       A.           Good question; I don't know.

5       Q.           Turn to page 14 and, I'm sorry,  
6       this is a discussion of governance issues,  
7       back on 13, are you with me?

8       A.           I am on 13, yes.

9       Q.           It continues on to page 14 and  
10      the first full paragraph, "Despite clear  
11      signs in the latter half of 2006 and 2007  
12      of growing problems in the economy,  
13      management continued activity in riskier  
14      programs and maintained its higher  
15      eligibility program for Alt-A loans  
16      without establishing limits on the  
17      enterprise's total Alt-A position."

18                  Did I read that correctly?

19       A.           Yes.

20       Q.           The next paragraph says, "Until  
21      recently, many credit decisions were  
22      driven by market share, distorting some  
23      credit decisions and allowing for an  
24      infrastructure that did not properly  
25      control or fully take into account pricing

1                   LOCKHART

2       their level of sophistication compared to  
3       other investors.

4                   I just want to follow up on  
5       some of those issues.

6                   They certainly had greater  
7       knowledge about the mortgage market than  
8       most other investors as a general matter,  
9       right, during the '05 to '07 time period?

10                  MR. COREY: Objection, form.

11                  A.           The Fannie and Freddie  
12       certainly had more data and more knowledge  
13       about the mortgage market than probably  
14       anybody else, yes.

15                  Q.           Huge databases of information  
16       about the performance of mortgage loans?

17                  MR. COREY: Objection, form.

18                  A.           They had databases, yes, and  
19       one of the issues of course was no one had  
20       seen a cycle like this, so they had no  
21       data around what was about ready to  
22       happen.

23                  Q.           That was one of the problem  
24       with the models they were using, right?

25                  A.           Yes.

1                   LOCKHART

2                 Q.         And they had direct firsthand  
3                 knowledge of underwriting practices of  
4                 many of the largest originators?

5                 MR. COREY: Objection to form.

6                 Q.         Right?

7                 A.         As I understand it, they  
8                 certainly had worked with many of the  
9                 major originators on a direct basis, yes.

10                Q.         And they had teams of people at  
11                both the enterprises that were reviewing  
12                originators as part of their counterparty  
13                risk management operations, right?

14                MR. COREY: Same objection.

15                A.         Yes.

16                Q.         They had -- did they, like  
17                OFHEO, have teams of economists and Ph.D.s  
18                at their disposal that were studied issues  
19                relating to the mortgage market?

20                A.         Yes.

21                Q.         Economists?

22                A.         Yes.

23                Q.         And they were able to draw on  
24                the expertise of your office, right, in  
25                that regard?

1                   LOCKHART

2         A.           Yes, and vice versa.

3         Q.           They had a lot of political  
4 capital, we touched on that earlier?

5                   MR. COREY: Objection, form.

6         A.           Yes, they did, they were  
7 well-known to have political capital.

8         Q.           And there was an implicit  
9 government guarantee that enabled them to  
10 issue enormous amounts of debt at low cost  
11 compared to other investors, right?

12        A.           Well, there was always a big  
13 debate what that meant.

14                   But certainly as it turned out,  
15 it turned to be more than implicit.

16        Q.           Right.

17        A.           But at the time it was an issue  
18 that everybody thought the government was  
19 going to back them up and it turned out  
20 they did.

21        Q.           Your work at WL Ross, you're in  
22 the investment business today, right?

23        A.           That's correct.

24        Q.           You certainly wouldn't consider  
25 the GSEs to be ordinary investors, would

1                   LOCKHART

2       you?

3                   MR. COREY: Objection to form.

4       A.           What do you mean by ordinary  
5       investors; we invest in companies, they  
6       don't invest in companies.

7       Q.           In terms of the level of  
8       sophistication, information at their  
9       disposal, access to capital, public  
10      mission, in all those respects they are  
11      very different from other investors --

12      A.           They had a very, very different  
13      structure because they were public/private  
14      and that was one of the big problems.

15                  MR. FRANKEL: I am told we're  
16      about to run out of time on the tape, we  
17      have to change the tape.

18                  THE VIDEO TECHNICIAN: Off the  
19      record, time is 2:58.

20                  (Recess taken.)

21                  THE VIDEO TECHNICIAN: We are  
22      back on the record, the time is 3:14.

23                  This begins tape 4.

24                  MR. COREY: Just a second.

25                  FHFA is clawing back document

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1                   LOCKHART

2     FHFA 16933859, I made the representation  
3     this was subject to a claw-back letter, I  
4     had understood at the time that it was  
5     included within the scope of a letter that  
6     was sent to defendants on either Friday or  
7     Monday, I can't remember which.

8                   I was subsequently informed  
9     that it was not, so we're clawing it back  
10    now.

11 BY MR. FRANKEL:

12 Q.              Mr. Lockhart, we touched on HUD  
13 affordable housing goals a couple of times  
14 during the course of your testimony.

15                 Can you just explain during the  
16 2005 to 2007 time period what are HUD  
17 goals, housing goals?

18 A.              One of the three missions of  
19 Fannie and Freddie was affordability and  
20 so the mission regulator, HUD, set up a  
21 series of goals related to the income of  
22 people getting mortgages and relating them  
23 to the median income of the areas that  
24 they lived in.

25                 And there was a whole series of

1                   LOCKHART

2       goals related to that, the biggest one,  
3       the most encompassing one was people below  
4       the median income and then there were I  
5       think 20, 30 percent below and a series of  
6       other goals.

7                   And the idea was to encourage  
8       Fannie and Freddie or require Fannie and  
9       Freddie to use their balance sheets and  
10      their securities to help people that were  
11      lower income get mortgages.

12       Q.        What were the consequences to  
13      Fannie and Freddie if they didn't meet  
14      their housing goals?

15                  MR. COREY: Objection, form.

16       A.        HUD had the ability to put them  
17      in their consent agreement and require all  
18      sorts of other actions potentially.

19       Q.        Sanctions and penalties?

20       A.        Yes.

21       Q.        Is it true that the GSEs were  
22      very fearful of failing to meet their  
23      housing goals?

24                  MR. COREY: Objection, form.

25       A.        The GSEs took their housing

1                   LOCKHART

2       goals extremely seriously, did want to  
3       meet them.

4                   It certainly made some members  
5       of Congress very happy when they met them.

6       Q.           You recall the CEOs expressing  
7       to you in words or substance that one of  
8       their worst fears was missing affordable  
9       housing goals?

10      A.           Yes, I have said that, yes.

11      Q.           And they did in fact convey  
12     that to you?

13      A.           Yes.

14      Q.           Did they say why one of their  
15     worst fears was missing housing goals?

16                  MR. COREY: You can answer that  
17     yes or no.

18      A.           Yes.

19      Q.           What's your understanding as to  
20     why it was the CEOs worst fears, one of  
21     the worst fears, of missing --

22      A.           One of the worst fears.

23      Q.           Right.

24      A.           Simply that the consent  
25     agreement and bad publicity that would

1                   LOCKHART

2       come with it.

3                   Q.         Did you also have an  
4       understanding from the CEO standpoint they  
5       would have incurred the wrath of Congress  
6       if they didn't meet their housing goals?

7                   A.         That was always the assumption,  
8       although, again, it is only part of  
9       Congress.

10                  Q.         HUD ultimately gave the GSEs  
11       credit for their housing goals from  
12       mortgages that were in the collateral for  
13       their private label securities purchases,  
14       is that right?

15                  A.         That's correct.

16                  Q.         You didn't agree with that, did  
17       you, with the decision, when I say that --

18                  A.         Well, the decision was made  
19       before I was there, but I questioned that  
20       decision, yes.

21                  Q.         Why did you question whether  
22       that was an appropriate decision?

23                  A.         Because they were only  
24       indirectly making the mortgages, they were  
25       not directly buying the mortgages as they

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were in the other part of their business.

So I thought it should be only  
when in multi or single family.

Q. In fact PLS purchases was one of the principal ways that both GSEs met their housing goals during the 2005 to 2007 time period?

MR. COREY: Objection, form.

A. Yes, in particular Freddie.

Q. Was it your sense the GSEs had difficulty meeting their housing goals throughout 2006 and 2007?

A. It was not easy; they occasionally did a transaction at year-end to help them meet their goals, mainly on the multifamily side.

Q. And they occasionally did transactions at year-end, including purchases of residential mortgage-backed securities to meet housing goals as well, right?

MR. COREY: Objection to form.

A. I'm not sure that they did any special purchases at year-end, I just

1                   LOCKHART

2   don't remember.

3                   They did it throughout the  
4   year.

5   Q.           Would you agree that the GSE  
6   sacrificed their credit standards in order  
7   to make those purchases?

8                   MR. COREY: Object to form.

9   A.           Which purchases?

10   Q.           PLS purchases that were made to  
11   meet housing goals.

12   A.           Again, they were buying triple  
13   A securities, so you could argue that they  
14   were buying triple A credit, at least  
15   that's what they would argue.

16                   I think you could argue on the  
17   other side of the business that  
18   potentially they had to lower their credit  
19   standards to meet the goals, especially as  
20   they kept creeping up every year to the  
21   point that at the end 55 percent of their  
22   mortgages had to be below the median  
23   income.

24   Q.           From your perspective, the GSEs  
25   were sacrificing their credit standards in

1                   LOCKHART

2 connection with their effort to meet  
3 affordable housing goals through PLS  
4 purchases?

5                   MR. COREY: Objection, form.

6                   A.         Well, what they were doing is  
7 they had three different missions and one  
8 of their missions was affordability and so  
9 from that standpoint they were stressing  
10 the ability to meet those affordable  
11 housing goals, which were pushed in  
12 retrospect much too high.

13                  Again, it is hard to say the  
14 credit standards around private label  
15 securities because they were triple A at  
16 the time, but certainly some of those  
17 underlying mortgages they would not have  
18 made directly.

19                  Q.         Overall OFHEO was concerned  
20 about the effect of housing goals on the  
21 GSEs' credit risk?

22                  A.         That's correct; in fact, that  
23 was one of the things we asked for in  
24 legislative reform, was to become the  
25 mission as well as the safety and

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1                           LOCKHART  
2 soundness regulator and in facg we did get  
3 that when FHFA was created.

4                           Q.         After FHFA obtained that  
5 authority, they lowered the GSEs' housing  
6 goals, is that true?

7                           A.         Well, we took over from HUD  
8 that group that did that, we brought them  
9 in-house at FHFA, we had a deputy in  
10 charge with just that area and we found  
11 the goals were just unsustainable in the  
12 present marketplace so we changed,  
13 suspended, did a variety of things to the  
14 goals.

15                          Q.         Can you pull out Exhibit 35914,  
16 the transcript.

17                          (Pause. )

18                          Q.         You can put that aside, we're  
19 looking for another exhibit.

20                          In the meantime, did you ever  
21 say in words or substance that you viewed  
22 the HUD housing goals as ultimately  
23 destabilizing, do you recall ever saying  
24 that?

25                          A.         What I have said about the

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housing goals were they were excessive and certainly they were one of the causes for the ultimate conservatorship, one of the many causes.

Q. Did that include the fact that the goals were being met through purchases of private label securities?

MR. COREY: Objection, form.

A . Yes .

Q. I show you as our next exhibit 35918, testimony dated September 25, 2008, before the Committee on Financial Services of the U.S. House of Representatives, and ask if you can take a look at that.

A. Thank you.

( Exhibit 35918, testimony  
dated September 25, 2008, before the  
Committee on Financial Services of the  
U.S. House of Representatives, was marked  
for identification. as of this date.)

Q. Without reading the whole thing, can you tell me if you recall giving testimony before the committee on financial services?

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1                   LOCKHART

2         A.           Yes, right after  
3 conservatorship.

4         Q.           If you can turn to page 19.  
5                    You have to admit having  
6 testified before Congress on multiple  
7 occasions that our questions are a lot  
8 shorter and more direct.

9         A.           Exactly, but you're not live on  
10 television either.

11        Q.           Fair enough.

12                  Mr. Royce again is asking you  
13 some questions, you see a little bit less  
14 than halfway down the page, and what I am  
15 interested in is your answer, "Certainly  
16 what was happening in the mortgage market  
17 in late 2005, 2006, and 2007, there was  
18 really a feeding frenzy on lower quality  
19 loans. Wall Street was packaging them  
20 together, putting them into these many  
21 tranch securities, either subprime or  
22 Alt-A, and Fannie and Freddie, to meet  
23 their housing goals and for other reasons,  
24 purchased those securities."

25                  Did I read that correctly?

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2         A.           Yes, you did.

3         Q.           Was that -- did that  
4         accurately reflect your view at the time  
5         of this hearing in September 2008?

6         A.           Yes.

7         Q.           Did you testify that you  
8         believe, overall you believe the HUD goals  
9         were too high?

10        A.           Yes.

11        Q.           Some of the subgoals, the  
12        affordability goals, I think you have  
13        testified in other contexts were almost  
14        mathematically impossible, is that true?

15                  MR. COREY: Objection to form.

16        A.           Yes, I have said that.

17        Q.           Which of the goals or subgoals  
18        was mathematically impossible, do you  
19        recall?

20        A.           I said they could be  
21        mathematically impossible.

22                  The one I just mentioned is an  
23        example, where 55 percent of the mortgages  
24        had to be below the median income and yet  
25        30 percent of the people in the country

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2        felt that that protection would insulate  
3        them from much of the risk that they were  
4        taking on by investing in securities  
5        backed by Alt-A and subprime mortgages, is  
6        that right?

7 MR. COREY: Objection, form.

8 A. That was their assumption, yes.

9 Q. I know you gave some testimony  
10 earlier today on the subject of why did  
11 the GSEs, Fannie Mae and Freddie Mac,  
12 invest in PLS backed by Alt-A and subprime  
13 mortgages.

14 A. Yes.

15 Q. I believe one of the principal  
16 reasons was to meet affordable housing  
17 goals set by HUD, is that right?

18           A.           That was one of the three major  
19 reasons; market share and profitability  
20 were probably the other two, yes.

21 Q. So the three major reasons were  
22 satisfying affordable housing goals,  
23 achieving market share, and profitability,  
24 is that right?

25 A. Yes.

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2         Q.         You testified a bit earlier  
3         about a consent agreement that HUD could  
4         have imposed if either of the GSEs did not  
5         meet their housing goals, do you recall  
6         that?

7         A.         Yes.

8         Q.         What kind of consent agreement  
9         would that be?

10        A.         I am not really sure what they  
11        could have done, they could have  
12        constrained their business going forward.

13                  I don't know if they could have  
14        fined them, but probably that was an  
15        ability they had, they could have forced  
16        them to do more in that space.

17                  They had very significant power  
18        and they also, as I said before, the black  
19        eye of that would have been very  
20        troublesome to both enterprises.

21        Q.         On a profit point, is it  
22        accurate to say that Fannie Mae and  
23        Freddie Mac made more money on PLS  
24        investments than they would have made on  
25        other investments?

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1                   LOCKHART

2                   MR. COREY: Objection, form.

3         A.           Their major other investment  
4         was their own securities and certainly PLS  
5         had higher yields than their own  
6         securities.

7         Q.           Which is to say the return on  
8         their investment that they expected to get  
9         on PLS was better?

10        A.           They expected; obviously as it  
11        turned out, they did not get a return,  
12        but, yes, their expected return, yes.

13        Q.           In fact the GSEs, they really  
14        wanted to buy the PLS that they were  
15        buying, right?

16                   MR. COREY: Objection, form.

17        A.           I am not sure what want means  
18        in this, but they needed to do it to meet  
19        their affordable housing goals and they  
20        certainly wanted the added profitability  
21        they expected from it.

22        Q.           And they also wanted to  
23        increase their market share?

24        A.           Right.

25        Q.           And over the course of 2006 and

1                   LOCKHART

2       first half of 2007, the GSEs, Fannie Mae  
3       and Freddie Mac, poured billions of  
4       dollars into purchasing private label  
5       securities backed by Alt-A and subprime  
6       mortgages, right?

7       A.           Billions, yes.

8       Q.           And they were certainly among  
9       the biggest buyers of PLS in that time  
10      frame?

11      A.           Yes.

12      Q.           In effect, they, Freddie Mac  
13      and Fannie Mae, constituted a big portion  
14      of the demand for private label securities  
15      in that time frame, right?

16                  MR. COREY: Objection, form.

17      A.           Yes, I would have to go back to  
18      verify that, but that was my assumption at  
19      the time.

20                  But there was a lot of demand  
21      for the lower tranches too, and so by  
22      having Fannie and Freddie buy the triple A  
23      tranches, that allowed other investors  
24      that were looking for significantly more  
25      yield to buy those lower tranches.

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2           Q.        Why was there so much demand  
3       for the lower tranches?

4           A.        We were in a field of excess  
5       liquidity and people were ignoring risk.

6           Q.        So people were looking for high  
7       yielding, relatively high yielding  
8       investments at the time, is that right?

9           A.        That's correct.

10          Q.        And the private label  
11       securities backed by Alt-A and subprime  
12       mortgages were that kind of security?

13          A.        In the lower tranches, yes; in  
14       the triple A, the difference wasn't that  
15       significant, but certainly in the lower  
16       tranches, yes.

17          Q.        But even in the triple A that  
18       was a better yield, as you testified --

19          A.        Than Fannie and Freddie, yes.

20          Q.        Than Fannie and Freddie  
21       securities.

22          A.        Yes.

23          Q.        With all the demand at the time  
24       in 2006, 2007, for securities of this  
25       type, is it any surprise to you that the